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Taking Public Transit is Now More Affordable in Canada

Richmond Hill – Effective July 1, 2006, public transit users across Canada will be eligible for a break on the cost of taking public transit. Canada's new government is providing a non-refundable tax credit on the cost of monthly passes.

During a visit to the Richmond Hill Transit Terminal in York Region today, the Honourable Jim Flaherty, Minister of Finance and Minister Responsible for the Greater Toronto Area, the Honourable Rona Ambrose, Minister of Environment, and Bill Fisch, Chairman of the Regional Municipality of York, encouraged Canadians to leave their cars at home and use public transit.

"Gridlock has become one of the most pressing issues across the GTA, eroding the quality of life and having a negative impact on business and productivity," said Minister Flaherty. "Our government's new transit tax credit will make transit more affordable, giving people even more incentive to park their keys and leave their cars at home."

As a result of the transit tax credit, a transit user who spends $80 per month on a transit pass could save about $150 for the year. Individuals are also able to claim expenses on behalf of their spouses and children. The total savings to Canadian transit users is estimated to be $370 million for this fiscal year and next.

"The transit tax credit will not only save people money, but by taking public transit Canadians will be helping to improve our environment," said Minister Ambrose. "The transit tax credit is part of our government's made in Canada environmental plan. Our transit tax initiative will take the equivalent of 56,000 cars off the road each year which will significantly reduce greenhouse gases here in Canada."

"We have already seen a rapid increase in transit ridership in York region and we believe the transit tax credit will help us build on our solid record of achievement," said Chairman Fisch. "The tax credit makes transit a more attractive option to commuters and will help us get cars off our congested roads."

Along with the transit tax credit and the sharing of the federal gas tax, Canada's new government is also investing $1.3 billion to strengthen and expand Canada's public transit systems from coast to coast to coast. It will also provide a one-time payment of $900 million to the provinces and territories to be paid into a third party trust, contingent on sufficient funds being available from the 2005–06 surplus in excess of $2 billion.

The Public Transit Capital Trust will support capital investments in public transit infrastructure including rapid transit, transit buses, intelligent transportation systems and high occupancy vehicle and bicycle lanes.

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Backgrounder
Tax Credit for Public Transit Passes

To encourage individuals to use public transit, ease traffic congestion in urban areas and improve the environment, Budget 2006 proposed to allow individuals to claim a non-refundable tax credit (15.25 per cent for 2006 and 15.5 per cent for 2007 and subsequent years) for the cost of monthly public passes or those passes of a longer duration (e.g. annual passes). The credit will apply to the cost of public transit passes that is in respect of transit on or after July 1, 2006.

This measure will encourage public transit use by providing $150 million in 2006–07 and $220 million in 2007–08 in benefits to approximately 2 million Canadians who make a sustained commitment to use this environmentally friendly mode of transportation. An individual who purchases passes costing $80 per month throughout the year will receive up to about $150 in federal tax relief for the year.

The types of public transit that will be covered by the measure include travel by bus, streetcar, subway, commuter train, commuter bus and local ferry. All transit users, including commuters, students and seniors, will qualify. The credit will be claimable by a taxpayer with respect to his or her costs, or those of a spouse or common-law partner and children under 19 years of age.

Individuals making claims will be required to retain their receipts or passes for tax verification purposes. Consultations between the Canada Revenue Agency and transit authorities were held in order to develop appropriate receipting practices. A June 19, 2006, news release by the Canada Revenue Agency highlights for taxpayers the types of information that they will need to retain for tax purposes. The news release is available at http://www.cra-arc.gc.ca/newsroom/releases/2006/june/nr060619-e.html.